

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7620

Petition of Central Vermont Public Service)
Corporation for Approval to Issue First)
Mortgage Bonds in an Amount of up to)
\$35,000,000 Pursuant to 30 V.S.A. § 108)

Order entered: 7/14/2010

I. INTRODUCTION

On April 30, 2010, Central Vermont Public Service Corporation ("CVPS" or "the Company") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(a) to issue long-term debt securities through the Vermont Economic Development Authority Recovery Zone Facility Bond program ("RZFB")¹ in a maximum aggregate offering amount of up to \$35 million (the "RZ Bonds") for specified capital projects, and/or through private placement for general corporate purposes (the "non-tax exempt Bonds"). The Petition was supported by the testimony of Pamela Keefe, the Company's Chief Financial Officer and by accompanying exhibits.

On May 28, 2010, the Vermont Department of Public Service ("DPS") filed its Determination Under 30 V.S.A. § 202(f) with the Board recommending that the Board approve the Petition without hearing and finding that the issuance of long-term debt as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

1. On October 14, 2009, the State's Emergency Board approved a plan to make \$135 million of low-interest bonding authority available statewide for economic development projects through the Vermont Economic Development Authority ("VEDA"). The bonding authorization is part of the American Reinvestment and Recovery Act. This authorization allows tax-exempt bonds to be issued for projects that would otherwise have to use more expensive taxable bonding. VEDA will underwrite the applications and assist borrowers in placing their bonds. *See* Petition of Green Mountain Power Corporation, Docket No. 7573, Order of 12/22/09 at 1.

In a separate filing submitted on June 9, 2010, the DPS informed the Board by letter that it believes that the issuance of long-term debt as set forth in the Petition is consistent with the general good of the state, and recommends approval of the Petition without a hearing.

On June 3, 2010, the Clerk of the Board issued a memorandum informing CVPS that additional financial information in the form of CVPS's three-year capital expenditure plan was needed in order to complete the review of the Petition.

On June 9, 2010, CVPS filed the additional financial information.

I have reviewed the Petition, the supporting testimony, and accompanying documents. I conclude that approval of CVPS's Petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record, including the DPS letters of May 28 and June 9, 2010, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. CVPS is a company as defined by 30 V.S.A. § 201, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Petition at 1.

2. The Company requests Board approval to issue up to \$35 million of First Mortgage Bonds through the Vermont Economic Development Authority Recovery Zone Facility Bond program for specified qualifying capital projects, and/or through the private placement market for general corporate purposes. CVPS has the opportunity to participate in the RZFB program. VEDA has been designated as Vermont's RZFB issuer. Keefe pf. at 2.

3. The Company is seeking to issue the RZ Bonds during 2010 in one or more series, with one or more maturity dates, at the RZ Bonds' prevailing tax-exempt interest rates and, if the non-tax-exempt Bonds are issued, at prevailing interest rates, in one or more private placement or public offerings to investors. The proceeds of the RZ Bonds would be issued through public offerings and must be used for approved projects, while any non-tax exempt Bonds would be issued through private placements and may be used for any general corporate purposes. Keefe pf. at 4, 5.

4. Vermont's share of the RZFB allocation is \$135 million. Unless waived by VEDA, the maximum issuance per project is \$25 million. Keefe pf. at 4.

5. If all of the RZFB allocation has not been used by September 1, 2010, VEDA may issue remaining funds to its existing borrowers. Accordingly, after September 1, 2010, CVPS may be afforded access to additional RZ Bonds. CVPS desires to have the flexibility to issue non-tax exempt Bonds, if needed, for its general corporate purposes; thus the combination of bonds CVPS may issue would be up to \$35 million. Keefe pf. at 5.

6. The terms and interest rates for the RZ Bonds and/or the non-tax exempt Bonds have not yet been determined. Rates would be fixed at the time of offering. The Company anticipates issuing bonds with 15 to 30- year maturities. Recently, RZ Bond rates have been in the range of 5.4%-6.0%. The non-tax exempt Bonds would likely be approximately 1% higher. Keefe pf. at 5, 6.

7. Since the terms of the RZ Bonds and/or the non-tax exempt Bonds, are not known at this time, CVPS requests that the Board grant approval with the following limits, which the Company would not be able to exceed without further Board approval:

Maximum amount to be financed:	\$35 million
Maximum interest ("coupon") rate:	8.5%
Maximum tranche term:	30 years

Keefe pf. at 8.

8. The capitalization of the Company as of December 31, 2009 was as follows:

Long-term debt	\$178,300,000	40.5%
Short-term debt	\$ 23,311,004	5.3%
Common equity	\$229,501,368	52.1%
Preferred equity	<u>\$ 9,053,800</u>	2.1%
Total Capitalization	\$440,166,172	100.0%

The pro forma effect of the proposed \$35 million issuance, including \$45 million in additional equity,² is as follows:

Long-term debt	\$213,300,000	42.9%
Short-term debt	\$ 0	0%
Common equity	\$274,501,368	55.2%
Preferred equity	<u>\$ 9,053,800</u>	1.8%
Total Capitalization	\$496,855,168	100.0%

Exh. CVPS PJK-2.

9. The Company has met with Moody's and has generally communicated its plans for future long-term debt, equity issues, capital needs and plans, rate recovery and other issues relevant to its rating of CVPS. Moody's has not expressed a concern that the proposed financing would adversely impact CVPS's credit rating. Keefe pf. at 10.

10. The Company has outstanding \$167.5 million in First Mortgage Bond debt with terms through 2031, plus \$10.8 million in Connecticut and Vermont Revenue Bonds with terms through 2015. The Company has debt maturities of \$0 million in 2010, \$20 million in 2011, and \$0 million in 2012. On January 2, 2010, the Company redeemed its sinking fund series of Preferred Stock. No other Preferred Stock redemptions remain. Keefe pf. at 7.

11. With its proposed SmartPowertm implementation,³ as well as the other capital projects forecast over the next three years, CVPS believes there are sufficient projects for which the RZFB proceeds would be used. Designation of these projects is one part of the RZFB application and loan process, and CVPS would require approval for such projects by VEDA prior to borrowing any RZFB proceeds. When CVPS designates the list of eligible projects, it will be publicly noticed. Keefe pf. at 6.

2. Approved by the Board in Docket No. 7557 on 10/5/09.

3. On April 7, 2010, CVPS filed a petition with the Board in Docket No. 7612 for approval of its "SmartPower Plan" to implement Advanced Metering Infrastructure throughout its service territory. The SmartPower Plan describes CVPS's strategies and schedule for the introduction of smart metering within its service territory and includes plans for the introduction of the technology and associated hardware, software, and two-way communications systems that collect time-differentiated energy usage from meters.

12. Since the RZ Bonds, and/or the non-tax exempt Bonds, would be First Mortgage Bonds, CVPS anticipates customary conditions precedent for the bond issues, such as: no material adverse change; absence of material litigation; all necessary regulatory and third-party approvals; good standing certificates; Board of Directors approval; legal opinions; and similar provisions. Keefe pf. at 7.

13. The Company's Board of Directors approved this proposed financing on March 10, 2010. The Board of Directors' resolutions are submitted as Exhibit CVPS PJK-1. Keefe pf. at 8.

III. DISCUSSION & CONCLUSION

Based upon the findings and the evidence in the record, I find that CVPS's proposed issuance of long-term debt securities as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the Company's request to issue up to \$35 million of First Mortgage Bonds through the RZFB program for specified capital projects and/or through the private placement market for general corporate purposes, such bonds to be secured by the Company's First Mortgage Bond Indenture.

The parties have waived the opportunity for review of the Proposal for Decision, briefing, and oral argument, in accordance with 3 V.S.A. §811.

Dated at Montpelier, Vermont this 13th day of July, 2010.

s/ Jay E. Dudley

Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are accepted and adopted.

2. The Board consents to the issuance by Central Vermont Public Service Corporation ("CVPS") of long-term debt securities in a maximum aggregate offering amount up to \$35 million, and to the mortgage and pledge of real and personal property of CVPS under CVPS's First Mortgage Bond Indenture, as set forth in the findings, above.

3. CVPS shall not exceed, without prior Board approval, the following limitations on the terms and conditions of the proposed bond issuance:

Maximum interest ("coupon") rate: 8.5%

Maximum tranche term: 30 years

4. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that CVPS may implement with the proceeds from this issuance of long-term debt. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Board, from reviewing or challenging those expenditures and/or the resulting capital structure in any future proceeding.

5. CVPS shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.

6. CVPS shall provide the Board and the DPS with a complete set of final executed documents.

Dated at Montpelier, Vermont this 14th day of July, 2010.

<u>s/ James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/ David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/ John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: July 14, 2010

ATTEST: s/ Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.